

Tax Bulletin

Missouri Department of Revenue

Volume 8, No. 3

Fall 1999

Directly Speaking . . .



I hope you've already benefited from the efforts to simplify taxes and regulations in Missouri that we've reported in the *Tax Bulletin* over the past 18 months. Teams of department employees and suppliers have worked together to improve the products that have the greatest impact on the results for which we are accountable: increased voluntary compliance; lower cost of compliance; and greater customer



satisfaction. With the input of hundreds of taxpaying customers and practitioners, we've improved many of our tax forms, audit procedures and regulations.

I'm pleased with our progress and grateful for the guidance and support of taxpayers and tax practitioners during these efforts. Partly because of this encouragement, you'll see even more improvements in coming months. But, as you know, there is much more to do.

During Phase I of our performance improvement effort, we focused on products we could improve without requiring statutory changes. We will, of course, continue to identify opportunities of which we can take advantage that are supported by elected officials, but do not require formal legislative action. However, during Phase II, we will work harder than ever to support the policy-making efforts of the hundreds of Missouri's elected representatives who share a commitment to simplify taxes and regulations.

Our plan is to use every tool at our disposal to help achieve the results to which we are committed. The state legislature and the Governor, as Missouri's elected representatives, set tax policy for the state, not the Department of Revenue. An appropriate role for the department is to provide better information to decision-makers about the impact of proposed or desired statutory changes on results. Our ability to do that depends, in large part, on your continued willingness to give us the benefit of your insight into these issues.

I strongly encourage taxpayers and practitioners to work closely with your elected officials, to advise them of your concerns and suggestions about Missouri's tax system. We will also alert them to the ideas and suggestions of those of you who have participated in discussions with the Department of Revenue. Through this process, I am convinced we can foster a long-term commitment to tax policy that increases voluntary compliance, reduces the cost of compliance and increases customer satisfaction.

Quentin Wilson

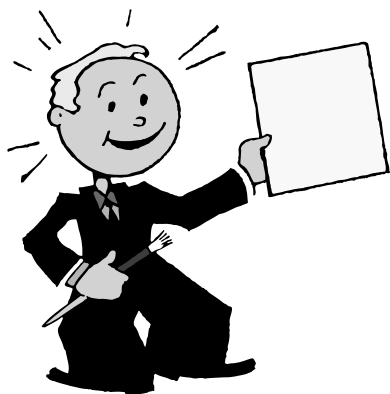
Quentin Wilson
Director of Revenue

What's Inside . . .

1999 Income Tax Changes	2
Article X Distribution Update	4
Free Business Tax Training Seminars	5
Electronic Filing Fall Update	6
Transfer of Franchise Tax Administration to DOR	6
Multistate Voluntary Disclosure Agreements	7
Sales Tax Audit Team Update	8
State Holidays	9
Court Cases	10
Rules Take Effect	15
Letter Rulings	16
Form MO-33	17
Filing Frequency Changes	19
MODOR BBS Shut Down	19
2D Bar Coding	19
Tax Calendar	20

1999 Income Tax Changes

by Rita Horstman, (573) 751-5855



Several legislative changes impact 1999 income tax. The department has focused on citizens when revising forms to comply with legislative changes, while upholding the department's mission to "simplify." The department has also made revisions to accommodate legislative changes, where others were made to make the tax filing process less complicated. Significant legislative changes and form revision highlights are listed below.



INDIVIDUAL INCOME TAX LEGISLATIVE CHANGES

- ❖ Effective January 1, 1999, the personal exemption amounts increased. The exemption amount for single filers is now \$2,100; married filers is \$4,200; and head of household filers is \$3,500.
- ❖ The maximum private pension exemption is \$3,000 for the 1999 tax year. A maximum total of \$6,000 has been placed on the combined public and private pension exemption. If a taxpayer's income exceeds the limitations for receiving a full pension exemption, the taxpayer may still qualify for a partial exemption. The total pension exemption must be decreased by the amount the taxpayer's income exceeds the limitation.
- ❖ Contributions of up to \$8,000 (per taxpayer) made to the Missouri Higher Education Savings Program (MOST) are exempt from state taxation provided the contributions are held for a minimum length of time and used for expenses directly associated with higher education upon distribution. Non-qualified distributions are subject to state income tax. Earnings generated from the contributions made to the MOST are also exempt from state tax, unless the distribution is made for a non-qualified use. Contact the State Treasurer's Office at <http://www.missourimost.org> or at (888) 414-MOST.
- ❖ Contributions of up to \$2,000 made to a family development account by the account holder are exempt from state tax. Approved withdrawals from the family development account are also exempt from state taxation. Any money withdrawn for an unapproved use is subject to state tax.
- ❖ A pharmaceutical tax credit is effective for the 1999 tax year. The purpose of the credit is to offset the cost of legend drugs. Taxpayers who receive **full** reimbursement for the cost of legend drugs from Medicare or Medicaid or who are residents of a local, state or federally funded facility are not eligible for the credit. The credit is a maximum of \$200 for resident taxpayers who are age 65 or older on or before December 31, 1999. The credit must be reduced by \$2 (two dollars) for every \$100 the taxpayer's Missouri adjusted gross income exceeds \$15,000. A citizen that is 65 or older and is not required to file a Form MO-1040 should use the Form MO-PTC to claim the pharmaceutical credit. A taxpayer that is filing a Form MO-1040 must figure the credit on Form MO-1040.

continued on page 3



Missouri Department of Revenue

Mel Carnahan, Governor; Quentin Wilson, Director of Revenue; Carol Russell Fischer, Director, Division of Taxation and Collection

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- ❖ The Missouri National Guard Trust Fund was established and is subject to taxpayer contributions for the 1999 tax year.



MISCELLANEOUS TAX CREDITS

Twelve new tax credits have been established for the 1999 tax year. The new tax credits include: Film Production Credit, Wine and Grape Production Credit, Rebuilding Communities Credit, Individual Training Account Credit, Advantage Missouri Credit, SBA Guaranty Fee Credit, Dry Fire Hydrant Credit, Agricultural Product Utilization Contributor Credit, New Generation Cooperative Incentive Credit, Bank Tax Credit for S Corporation Shareholders, Family Development Account Credit and the New Enterprise Creation Credit.



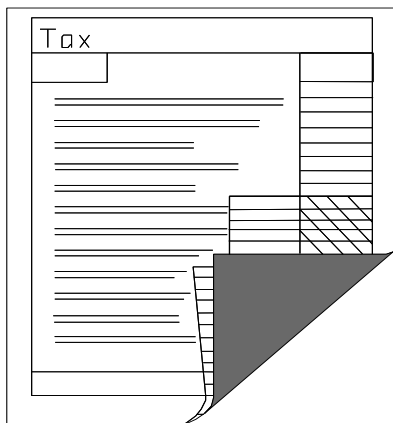
FORM REVISIONS

The following forms have been revised to comply with legislative changes and simplify tax filing.

Form MO-1040, Individual Income Tax Return—To simplify the return, the “total” lines were removed and the line for the exemption amount was modified. A line was added for the pharmaceutical tax credit and a chart was added to the instructions to “phase out” the credit if the taxpayer’s Missouri adjusted gross income exceeds \$15,000. Taxpayers who file

both a Form MO-PTC, Property Tax Credit Claim, and a Form MO-1040 and qualify for a pharmaceutical tax credit, must figure the pharmaceutical tax credit on Form MO-1040.

Form MO-A, Individual Income Tax Adjustments—An addition line and a subtraction line have been added to Part 2, Missouri Modifications to Federal Adjusted Gross Income, as a result of the



Missouri Higher Education Savings Program. Another addition and subtraction is included in Part 2, Lines 2 and 7, “other” modifications, as a result of the Family Development Account. Part 3, Pension Exemption, has also been modified. Two lines have been added to provide a computation for the exemption amount if the limitation for receiving the full pension exemption is exceeded. A line was also added to limit the total exemption to \$6,000 per taxpayer.

Form MO-TC, Miscellaneous Tax Credits—Form MO-TC now has ten lines for filers to designate the

credit they are taking, rather than listing all credits on the face of the form. Credit codes have been added to the form. The abandoned property tax credit is now referred to as the Brownfield “Jobs and Investment” Credit and the Remediation Credit (previously under abandoned property tax credit).

Form MO-NRI, Missouri Income Percentage—The Form MO-NRI has been revised to include information for military personnel, eliminating the Form 374, Statement of Nonresidency. The Form MO-NRI contains instructions for military personnel who are stationed in Missouri, but not required to file a Missouri income tax return. Citizens who move into Missouri prior to April 15 and file their federal return with a Missouri address may also complete a Form MO-NRI to verify they are not liable for Missouri income tax.

Form MO-PTC, Property Tax Credit Claim—The Form MO-PTC was redesigned so the majority of taxpayers who use the form have to complete only the information that applies to them. “Section B” was created on the back of Form MO-PTC for taxpayers who file a Form MO-1040 or have income not included on the front of the form. Changes were made to emphasize documentation needed to verify the claim. A line was added to the Form MO-PTC for the pharmaceutical tax credit. A resident who is 65 or older and is

continued on page 4

not required to file a Form MO-1040 should be within the income limitation (\$15,000) for the pharmaceutical tax credit and receive the full \$200 credit. A taxpayer who is filing a Form MO-1040 must figure the credit on the Form MO-1040, because anyone who has Missouri adjusted gross income greater than \$15,000 must reduce the credit by \$2 for every \$100 his/her income exceeds the limit. Taxpayers will not be required to send proof of \$200 in pharmaceutical bills.



NEW INCOME TAX FORMS

The department will introduce a new individual income tax form for the 1999 tax year to simplify the filing process for taxpayers who use a Form MO-NRI or a Form MO-CR.

Form MO-1040C, Part-Year Residents/Nonresidents/Active Duty Military/Residents with Other State Income—Short Form was developed to give citizens a

product to meet their specific filing needs. The qualifications for filing the Form MO-1040C are similar to the other short form qualifications. An exception is that the form is limited to citizens using a single or a married filing combined filing status; and who file a Form MO-NRI or a Form MO-CR. Citizens who itemize their deductions can still use the Form MO-1040C. The department has also developed a form as a result of a new tax credit for the 1999 tax year. **Form MO-BTC, Bank Tax Credit for S Corporation Shareholders**, must be completed before this credit may be claimed on Form MO-TC.



NEW INCOME TAX BOOKS

The Form MO-1040T, Telefile Worksheet and the Form MO-1040A, Single/Married with One Income—Short Form are now contained in two separate income tax books. Previously the two forms were provided in the same book. The department

has added a completely new income tax book this year for Form MO-1040C, Part-Year Residents/Nonresidents/Active Duty Military/Residents with Other State Income—Short Form. The new book contains Form MO-1040C, Form MO-NRI and Form MO-CR.

If you have questions concerning the individual income tax legislative changes or form changes, please contact the department at (573) 751-5746, e-mail income@mail.dor.state.mo.us or write the Missouri Department of Revenue, Division of Taxation and Collection, P.O. Box 2200, Jefferson City, Missouri 65105-2200.



The department encourages your suggestions for tax forms and tax system improvements. To help the department achieve its mission to simplify, please e-mail taxsuggest@mail.dor.state.mo.us with your ideas, concerns or suggestions.

ARTICLE X DISTRIBUTION UPDATE

The Missouri Department of Revenue began distribution of \$178 million in excess revenues for fiscal year 1998 on October 25, 1999. This distribution equals approximately 4.9% of the Missouri income tax liability reported and paid by income tax payers in 1998.

A taxpayer can check their liability by looking at the amount reported on Line 37T of their Form

MO-1040; or Line 11 of the Form MO-1040A; or Line 15 of the Form MO-1040B. Checks are being mailed in zip code order beginning with 630 zip codes.

Taxpayers are invited to visit the department's web site at

<http://dor.state.mo.us> for more information concerning the Article X distribution.

Free Business Tax Training Seminars

by Randy Sullens

The Missouri Department of Revenue offers free business tax training seminars to familiarize new businesses with tax related issues. The seminars cover sales tax, withholding tax and business tax registration. Listed below are upcoming seminars:

CAPE GIRARDEAU AREA

June 13, 2000

1:00 p.m. to 3:00 p.m.

Cape Girardeau Tax Assistance Center
3102 Blattner Drive, Suite 102
Cape Girardeau, MO 63702-0909
(573) 290-5850

JOPLIN AREA

May 9, 2000

9:00 a.m. to 11:00 a.m.

Joplin Tax Assistance Center
1110 East Seventh Street, Suite 400
Joplin, MO 64801-2286
(417) 629-3070

KANSAS CITY AREA

February 18, 2000 & May 12, 2000

2:00 p.m. to 4:00 p.m.

Kansas City Tax Assistance Center
615 East 13th Street, Room 127
Kansas City, MO 64106-4039
(816) 889-2944

JEFFERSON CITY AREA

April 27, 2000

10:00 a.m. to 12:00 p.m.

University of Missouri Extension Center
2436 Tanner Bridge Road
Jefferson City, MO 65105

Jefferson City Tax Assistance Center
2018 William Street
Jefferson City, MO 65105
(573) 751-7191

SPRINGFIELD AREA

March 24, 2000

3:30 p.m. to 4:30 p.m.

Springfield Tax Assistance Center
149 Park Central Square, Room 313
Springfield, MO 65806-1386
(417) 895-6474

ST. JOSEPH AREA

March 22, 2000

1:00 p.m. to 3:00 p.m.

St. Joseph Tax Assistance Center
525 Jules, Room 314
St. Joseph, MO 64501-1900
(816) 387-2230

ST. LOUIS AREA

January 12, 2000

10:00 a.m. to 12:00 p.m.

and

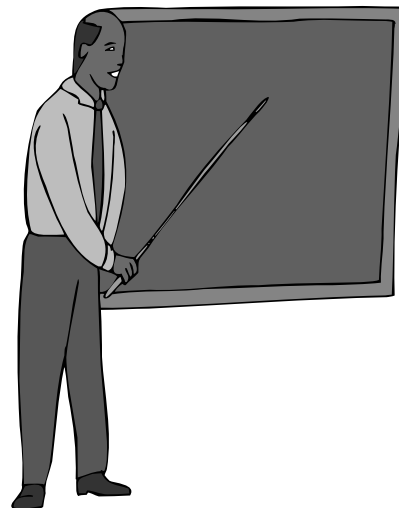
May 10, 2000

2:00 p.m. to 4:00 p.m.

St. Louis Tax Assistance Center
2510 South Brentwood, Suite 300
Brentwood, MO 63144-2391
(314) 301-1660

COLUMBIA TAX ASSISTANCE CENTER

1500 Vandiver Drive
Columbia, MO 65202
(573) 884-3814



Please contact one of the Tax Assistance Centers at the phone numbers listed above if you would like to attend a seminar.

Electronic Filing Fall Update

by Jerry Wingate, (573) 751-8150

 1999 was another successful year for the Missouri Electronic Filing and the Telefile programs. To date, the IRS transmitted over 373,000 state returns to Missouri.

For this upcoming 2000-filing season, the MO-NRI was added to the list of schedules which can be filed electronically. This raises the number of taxpayers eligible to file electronically to approximately 98%.

TELEFILE: Around 77,000 taxpayers took advantage of the convenience of telefiling their return. With an aggressive advertising campaign planned for this next tax

season, the department hopes for a 33% increase in the number of filers using telefile.

Some common errors that occur in electronic and telefiled returns are name and address errors, income percentages and bank account number errors. We are exploring ways to help eliminate all errors in the future.

CREDIT CARDS: The department plans to promote this new service for the upcoming tax season. We will offer the option for customers to pay their current income tax debt by credit card. The customer can simply dial a toll free number, input some indicative information and take

care of their tax bill in one easy step.

INTERNET FILING: the department, on its Internet site (<http://dor.state.mo.us>), will have links to Internet based systems for filing individual income tax returns. We anticipate this will increase the number of filers taking advantage of the convenience of the Internet, while reducing the paper returns and errors.

The department remains aggressive in providing alternatives to paper returns, and the upcoming tax season promises to be exciting and productive for all of the alternative filing methods.

Transfer of Franchise Tax Administration to DOR

by Diane Luebbering, (573) 751-4981

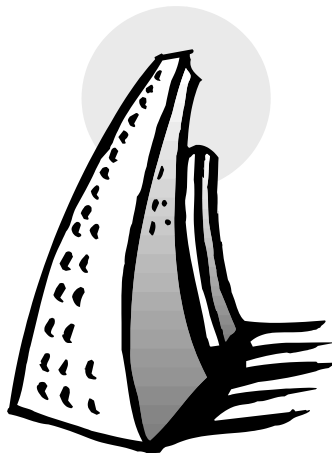
House Bill 516, passed during the 90th General Assembly, First Regular Session, transferred effective January 1, 2000, the administration and collection duties for corporation franchise tax from the Missouri Office of the Secretary of State to the Missouri Department of Revenue (DOR).

This legislation lowered the corporation franchise tax rate to one thirtieth of one percent and increased the corporation franchise tax filing threshold from \$200,000 to \$1,000,000. If a corporation's assets do not exceed the

\$1,000,000 threshold, the law still requires the corporation to file a corporation franchise tax return with the DOR and to state that the corporation has no liability. The corporation

franchise tax return will contain a box for the corporation to check if their assets do not exceed the \$1,000,000 threshold.

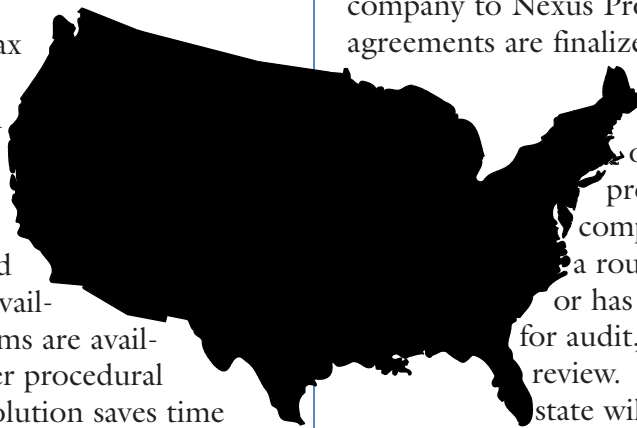
The telephone number for contacting the Corporation Franchise Tax Section will remain (573) 751-2265. However, the address for filing returns or sending correspondence will be changed to Missouri Department of Revenue, Division of Taxation and Collection, P.O. Box 3080, Jefferson City, Missouri 65105-3080. E-mail: franchisetax@mail.dor.state.mo.us or telephone (573) 751-2265.



Multistate Voluntary Disclosure Agreements

by H. Beau Baez III, Counsel for the National Nexus Program

The Multistate Tax Commission's (MTC) National Nexus Program operates an innovative voluntary disclosure program that allows companies to resolve potential tax liabilities simultaneously with multiple states. Through this program companies may approach a large number of states anonymously to propose settlement of potential state sales/use tax and income/franchise tax liabilities arising from past activities within those states. Taxpayers benefit by resolving potential state tax disputes before the state issues prior-year assessments of taxes, interest, and penalties. Tax professionals benefit by being allowed to focus on substantive tax issues rather than trying to determine who in the state to contact, what kind of disclosure program is available in the state, what terms are available in the state, and other procedural problems. Multistate resolution saves time and money as MTC staff performs most of the work — at no cost to the taxpayer.



- a statement as to whether the company has been contacted by any of the states, and if so, the nature of the contacts;
- the terms proposed by the company; and,
- a schedule showing the estimated amount of taxes due, by tax type and year, for each state that the company wants contacted.

All voluntary disclosure negotiations are handled on a confidential and anonymous basis. Company representatives are asked not to reveal the name of the company or any information that could readily identify the company to Nexus Program staff until the agreements are finalized. Please note, the Nexus Program staff will not process a disclosure offer for a state that has previously contacted the company (something beyond a routine mass mailed letter) or has selected the company for audit, other investigation, or review. Contact by one member state will preclude disclosure only with the contacting state and does not prevent a disclosure from occurring with other member states.

THE DISCLOSURE PROCESS

A company representative initiates the process by contacting the Nexus Program anonymously, by letter, and requesting a voluntary disclosure. The Nexus Program staff will need the following information:

- a brief description of the company's business, including the number of years the company has been in business;
- the nature and extent of the company's operations in the relevant states, including whether the company owns or leases property, engages employees, or has other potential nexus creating activities in those states;

Once the Nexus Program staff has evaluated the facts and circumstances of the company's contacts in the states with which it is seeking a voluntary disclosure, the staff will work with the representative to formulate an offer that will be acceptable to the states. A majority of the Nexus Program member states expect three years of back taxes and interest, but they will waive penalties and tax obligations for all tax periods prior to the look-back period. Once terms are agreed upon, Nexus Program staff will forward a voluntary disclosure agreement (i.e. contract) to the states specified by the company representative. Disclosure agreements recommended to states

continued on page 8

by Nexus Program staff are accepted in most cases. The entire voluntary disclosure process typically takes one hundred and twenty days but can take longer for more complicated cases.

NEXUS PROGRAM MEMBER STATES

Voluntary disclosures are processed only for Nexus Program Member States. The following 39 States are members of the MTC National Nexus Program as of May 1999:

Alabama, Alaska,

Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Florida, Hawaii, Idaho, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Texas, Utah, Washington, West Virginia, Wisconsin

The Nexus Program makes available to the public upon request the sales and use tax registration forms for all 46 state sales tax jurisdictions.

If you have questions about the voluntary disclosure program or would like to initiate a disclosure, contact Mr. H. Beau Baez or Mr. Thomas K. E. Shimkin at the Multistate Tax Commission, by e-mailing information to nexus@mtc.gov or writing 444 North Capitol Street, N.W., Suite 425, Washington, D.C. 20001 or telephoning (202) 508-3800.

SALES TAX AUDIT TEAM UPDATE

by Field Audit, (573) 751-4816

The sales tax audit team was chartered by Director Wilson to look for ways to maximize efficiency on audits in order to lower costs for taxpayers, provide consistent treatment of taxpayers and issues to promote voluntary compliance.

As a result of recommendations made by this team, changes have been made in how the department conducts audits. The changes are intended to speed up audits, provide additional taxpayer education, reduce taxpayer time and expense and ensure that enforcement is consistent from taxpayer to taxpayer and from one audit to another. To accomplish these goals, the

department is standardizing audit selection criteria, emphasizing new audit planning techniques and increasing taxpayer contacts, especially with new sales tax registrants. The department is changing the current auditor training program, preparing an advanced auditor training program and adjusting auditor expectations and evaluations to emphasize education and audit planning.

By evaluating how audits are conducted and taxpayers' concerns with audits, the team was able to make recommendations for improvement. Department management then used the recommendations to improve the audit process.

What the team found

The team found that audits generally take a long time and that audits are expensive to the department and the taxpayers being audited. Conflicts over audit findings lead to litigation and changes to tax law and policy. The changes then lead to interpretation inconsistencies, which again lead to conflicts over audit findings. The team found that auditor turnover is high and costly and contributes to delays in completing audits. On the bright side, the team found that audited taxpayers overwhelmingly feel the auditors themselves do a

continued on page 9

good job. 95% of survey results have been positive about the auditors.

The team conducted focus groups of taxpayers in various industries and found that taxpayers are generally interested in education, consistency, communication, better feedback, efficiency and training for the auditors. Taking these general themes and the particular individual concerns and comments of the focus group members, the team developed a set of recommendations for department management.

The Team's Recommendations

The team recommended a sales tax audit booklet for taxpayers so taxpayers know what to expect on audit. It also recommended that the department contact new registrants to offer assistance and answer questions. The team felt that the audit selection criteria should be formalized and that pre-audit discussions should be enhanced. The team recommended changes to the audit

program and various internal forms. It recommended implementing new standardized auditor evaluations that focus on audit planning and the way each audit is conducted. The team also



recommended enhancing auditor training.

In addition, the team felt certain areas of the sales tax law were overly burdensome to taxpayers and recommended that legislative action be considered. The team's recommendations also addressed technology improvements to speed up completion and processing of audits.

The Department's Response

The department has

responded by immediately implementing the recommendations that do not require legislative or technological changes. The legislative recommendations are being studied and the technological changes are being planned for. The department is developing measures to be able to determine our success in meeting the expectations of our customers, the taxpayers.

In summary, the audit bureau will:

- ✓ Prepare and distribute booklets that tell taxpayers what to expect on audit;
- ✓ Contact new sales tax registrants and offer assistance;
- ✓ Use a formalized set of audit selection criteria;
- ✓ Increase pre-audit planning and discussions;
- ✓ Evaluate auditors on how they plan and conduct their audits; and
- ✓ Enhance auditor training.



State Holidays

State offices will be closed in observance of the following holidays.

December	24	Christmas Day
December	31	New Year's Day
January	17	Martin Luther King Day
February	11	Lincoln's Birthday
February	21	Washington's Birthday



COURT CASES

by General Counsel's Office, (573) 751-2633

SALES TAX

Danielle R. Billops v. Director of Revenue, 98-001225RV (AHC 1999)

Danielle R. Billops (Taxpayer) purchased a 1991 Chevrolet van for \$11,990. The dealer allowed a \$2,500 trade-in for two motor vehicles and financed the remainder. Taxpayer had trouble with the van and attempted to rescind the sale but the dealer negotiated with her to have the van



repaired. Taxpayer and the dealer did not come to terms so the dealer refused to return either the motor vehicles that she had traded in or to pay her the value of the trade-ins. The lender repossessed the van. Taxpayer did not register the van or pay the sales tax. The Director assessed Taxpayer sales tax on the purchase of the van and a title penalty for failing to timely register the motor vehicle. She contended that she had rescinded that sale and should not be liable for the tax or title penalty.

The Administrative Hearing Commission found that although Taxpayer considered the sale as rescinded,

there had not been an effective recession. She had purchased the motor vehicle and was liable for the tax. However, because Taxpayer had "good cause" for thinking the sale was rescinded, she was not liable for the title penalties.



INCOME TAX

Eric S. & Mary K. Brown v. Director of Revenue, Case No. 97-1108 RI, (AHC, 6/11/99) and Jeffrey C. & Nancy J. Brown v. Director of Revenue, Case No. 97-1109 RI, (AHC, 6/22/99)

Eric S. and Mary K. Brown (Taxpayers) and Jeffrey C. & Nancy J. Brown (Taxpayers) lived in Kansas throughout 1995. Taxpayers were officers, shareholders and employees of Carl L. Brown and Company ("Brown Company") a Kansas corporation, headquartered in Kansas City, Missouri. The Brown Company was in the business of originating, servicing and dealing in residential mortgages. It had 51 offices in 17 states with four in Missouri and none in Kansas.

In early January of 1995, Brown Company was acquired by another corporation and subsequently became a wholly owned subsidiary of First Tennessee Bank National Association. Prior to this merger, Taxpayers entered into

an employment agreement with the Brown Company. The agreement allowed Taxpayers to continue their salaried employment after the merger and included a covenant not to compete clause in consideration of \$660,000 respectively. In 1995, Taxpayers received the \$660,000 in addition to their salaries. Taxpayers argued that their \$660,000 was not Missouri source income, and as a result, the Taxpayers reported their non-resident income percentage to be 58%. Concluding that their \$660,000 was Missouri source income, the Director adjusted this income percentage to 95% resulting in an increased tax liability.

The Administrative Hearing Commission (AHC) found that the income from their covenant not to compete resulted from the Taxpayers employment in Missouri and was in consideration of their employment. The income was attributable to their occupation carried on in this state.

The AHC upheld the imposition of tax and interest. Additions to tax were abated because the Taxpayers set forth a reasonable argument that the income from the covenant not to compete was not Missouri source income.



SALES TAX

Endless Trails Resort, Inc., d/b/a Bent Oaks Resort v. Director of Revenue, 96-001397 RV (AHC, 1999)

Bent Oaks Resort (Taxpayer) operated a seasonal campground open to its members and their families. It sold two types of memberships, original and Ambassador. The Taxpayer charged an annual fee associated with the membership and charged an initiation fee for new members. One-half of the initiation fees were sent to a separate entity. The remainder was used to cover operation expenses. No member had an equity interest in the Taxpayer. The Taxpayer did not pay sales taxes on the membership charges. After an audit, the Director of Revenue assessed sales taxes on the gross receipts from the membership fees and the Taxpayer appealed the assessments to the Administrative Hearing Commission (AHC).

The Taxpayer contended that the cases of *Old Warson Country Club v. Director of Revenue*, 933 S.W.2d 400 (Mo. banc 1996) and *Meramec Valley Owners' Association v. Director of Revenue*, 936 S.W.2d 794 (Mo. banc 1997) required a finding in its favor that its membership dues were not subject to tax. The AHC disagreed. It found that the Taxpayer had failed to show that the membership dues were paid for anything other

than recreational services.



INCOME TAX

Jack A. and Corilia J. Hicks v. Director of Revenue, No. 98-002317 RI (AHC, 6/1/99)

Jack and Corilla Hicks (Taxpayers), after receiving an extension to file their 1993 Missouri income tax return, filed their return on 8/15/94. A refund of \$57.00 was issued to the Taxpayers on 9/21/94. On 6/4/97, the State of California assessed the Taxpayers an additional \$2,856.89 which the Taxpayers paid under protest. The California protest was denied on 6/27/97. The Taxpayers filed an amended 1993 Missouri income tax return in December 1997 claiming the additional tax paid to California and seeking a refund in the amount of \$2,661. The director denied the refund based upon the passage of the three-year statute of limitations for refunds pursuant to Section 143.801.1, RSMo.

The AHC found that the claim for refund was filed after the time for claiming a refund had passed.

Section 143.80 1.1, RSMo, requires the claim to be filed within three years from the time the return was filed or two years from the time the tax was paid. The original 1993 Missouri return was filed on 8/15/94, but the claim for refund was not filed until

December 1997. The three-year period had passed and the law does not include any exceptions to allow a refund to be issued after the statute of limitations period has passed.



SALES TAX

Bolivar Road News, Inc. v. Director of Revenue, 98-2406 RV (AHC, 1999)

Bolivar Road News (Taxpayer) is engaged in the business of making sales of tangible personal property. As a result of an audit of its business records, the Taxpayer was assessed sales taxes on its receipts from the video viewing by customers. The Taxpayer contended that the receipts were not subject to tax because the customers were paying for the right to preview movies. The director argued that the payments from customers were for purposes of amusement and entertainment and subject to tax as "fees paid in and to a place of amusement."

The Administrative Hearing Commission (AHC) found the Taxpayer held itself out as a place of amusement (arcade). It further found that the taxpayer had a dual-purpose business; the sale of adult novelty items and movie videos and a separated area where it housed video-viewing booths. It also found that based on the revenue from the video viewing that activity comprised

continued on page 12

more than a de minimus portion of the business. The AHC sustained the assessment.



INCOME TAX

Mark P. and Christine Mitchell v. Director of Revenue, Case No. 99-1345 RI (AHC, 7/9/99)

Mark P. and Christine Mitchell (Taxpayers) were Nevada residents in 1994. In 1984, Taxpayers became a limited partner in Red River, a partnership that owned rental real estate in Missouri. Taxpayer invested \$118,500 in Red River and from 1984 to 1994 received cash distributions totaling \$953 from Red River. From 1984 through 1993, Red River incurred losses. Taxpayers did not file Missouri income tax returns for 1984 through 1993. In 1994, Red River's Missouri real estate was foreclosed upon and the partnership was terminated. Taxpayer's 1994 K-I for Red River reported a gain of \$146,903, which was the recapture of his distributive share of Red River's losses. (The Taxpayer had previously deducted the losses on his federal returns, to the extent they exceeded his actual investment from Red River.)

In October 1998, Taxpayers mailed their 1994 return to the director. They reported a Missouri subtraction of \$263,876, representing the Taxpayer's share of the losses Red River incurred

throughout its history. They also reported a negative \$116,973 (the gain of \$146,903 minus the losses of \$263,876) for Missouri adjusted gross income from sources within Missouri. They computed a Missouri nonresident percentage of zero and Missouri tax of zero. The director disallowed the use of the prior year losses either as a Missouri subtraction or in computing the nonresident percentage. In April 1999, the director issued a final decision assessing the Taxpayers tax of \$8,221, plus interest.

The director moved for summary determination of the tax liability. The Administrative Hearing Commission (AHC) concluded that Missouri adjusted gross income is based on federal adjusted gross income, that the Missouri statutes contain no provision for excluding the Red River gain from income for Missouri tax purposes and that the Taxpayers' 1994 Missouri income tax was \$8,221, as the Director assessed. The AHC also found that the Taxpayers owed interest, but were not subject to the additions to tax or penalty.



INCOME TAX

Eduard and Ruth J. Wickman, Case No. 99-07 1 ORI (AHC, 7/21/99)

Eduard and Ruth Wickman's (Taxpayers) 1995 income included \$32,619 in

wages from a school district. On their federal income tax return they reported \$11,056 of this amount as an itemized deduction for "non-taxable allowances included in income." The Internal Revenue Service (IRS) disallowed this deduction and reported the change to the Director on September 7, 1997. The director disallowed the deduction and issued an assessment of tax, interest and an additions to tax on April 15, 1998.

The Taxpayers first argued that the director had only one year from the date of the IRS notification in which to collect the tax. The Administrative Hearing Commission (AHC) concluded that Section 143.711.4, RSMo, allows the director to issue the notice of deficiency within one year of becoming aware of the IRS change, so the director's notice was timely, but the statutes do not place a limit on the time for actually collecting the tax.

The Taxpayers claimed that the \$11,056 deduction was for a military allowance that was not subject to taxation. Active duty military personnel may receive deductible allowances, but the AHC relied on federal tax court decisions that have disallowed a deduction for retired personnel serving as JROTC instructors. IOU.S.C.section203l(d) (1998) provides that institutions may employ retired officers and noncommissioned

continued on page 13

officers as JROTC instructors. The federal statute provides a formula to determine the amounts the instructors may receive, but the schools pay them, not the military. The amounts are based, in part, on the pay and allowances that active duty personnel receive, but the JROTC instructors are not active duty personnel and do not receive military allowances.

The AHC concluded that the director properly disallowed the deduction and upheld the director's assessment of tax and interest. The Director previously abated the additions to tax.



INCOME TAX

Rebecca L. Hewlett v. Director of Revenue, Case No. 98-0997 RI (AHC, 8/4/99)

Rebecca L. Hewlett (Taxpayer) moved from Texas to Missouri in May 1992 and moved back to Texas in August 1992. Based on information from the Internal Revenue Service, the director assessed the Taxpayer tax of \$1,186.92, additions to tax of \$296.73 and interest. At the hearing, the Taxpayer produced evidence regarding where she received her income—including wages, interest, capital gains and pension income—during 1992.

The Administrative Hearing Commission (AHC) held that a part-year Missouri

resident may elect to determine her Missouri tax as a resident or as a non-resident (Section 143.051.2, RSMo). Based on the evidence produced at the hearing, the AHC determined that the Taxpayer's 1992 Missouri tax liability was \$65 if computed as a non-resident, and \$88 if computed as a resident. The AHC found that the Taxpayer was liable for tax of \$65, plus interest.



INCOME TAX

Southwestern Bell Telephone Company v. Director of Revenue, Case No. 97-1066 RI (AHC, 8/2/99)

Southwestern Bell Telephone Company (Taxpayer) was included as part of a federal consolidated return with its affiliated group, but filed separate-company Missouri returns. Taxpayer reported dividends it received as subtractions on the face of the return; failed to compute its apportionment fraction pursuant to the wire-mile method; and failed to limit its deduction for federal income tax pursuant to statute. The department adjusted Taxpayer's return to reflect the dividends as non-Missouri source income, to compute the apportionment fraction pursuant to the wire-mile method and to properly determine the federal income tax deduction. Taxpayer challenged the dividend subtraction and the com-

putation of the federal income tax deduction.

The Administrative Hearing Commission (AHC) found the dividends were to be subtracted and were to be allocated as non-Missouri source income. The dividends should not be included within the apportioned income. The AHC determined Taxpayer was to have a federal income tax deduction, but agreed the department's computation was the proper method. The federal income tax deduction is limited to the extent applicable to Missouri. The portion of federal income tax that derives from non-Missouri source income is not allowable as a deduction on the Missouri corporate income tax return pursuant to Section 143.451.8, RSMo.

The AHC concluded the department's computation was a correct application of the statute and reached a correct result in this case. It upheld the deficiencies for 1989 and 1991 and the denial of additional refund for 1990.



INCOME TAX

JOHN M CAVE, II and LONDA A. CAVE v. DIRECTOR OF REVENUE, No. 98-001193 RI (AHC, 8/11/99)

John and Londa Cave (Taxpayers) filed timely Missouri income tax returns for 1991 and 1992. After the

continued on page 14

Missouri returns were filed, the Internal Revenue Service (IRS) increased Taxpayers' federal income tax for those two years. No amended Missouri returns were filed. Taxpayers entered into a payment agreement with the IRS; but by 1995 found themselves in default on the payments under that agreement. In 1996, the IRS attached the Taxpayers' bank accounts and salaries to collect these delinquent federal income taxes. A total of \$11,091 of the 1991 and 1992 federal taxes was paid in this manner during 1996.

Taxpayers filed a 1996 Missouri income tax return.

They reported a 1996 federal adjusted gross income of \$55,987. Federal income tax due on the 1996 income was \$5,861. On the 1996 Missouri income tax return, the Taxpayers reported their federal income tax to be \$16,952, including both the taxes on the 1996 income and the amount levied by the IRS in 1996 on the 1991 and 1992 incomes. Taxpayers claimed the maximum federal income tax deduction of \$10,000 as allowed by Section 143.171, RSMo.

The Administrative Hearing Commission found that Section 143.171, RSMo,

provides for deduction for federal tax liability "for the same taxable year for which the Missouri return is filed." Only the federal income tax on the 1996 income was deductible on the 1996 Missouri income tax return.

Taxpayers were entitled to take the additional federal income tax deduction for the 1991 and 1992 years by amending their 1991 and 1992 Missouri income tax returns within one year of the federal adjustment. They were not entitled to take the additional federal income tax deduction in 1996, the year the additional tax was paid.

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Rules Take Effect

by Office of Legislation and Regulations, (573) 751-2110

There are several rules relating to taxes that either have recently gone into effect or will become effective in the near future. A short recap of each rule is listed below along with the rule number and remarks about the effective date of the regulation.

- 12 CSR 10-3.003—**Rulings**
- 12 CSR 10-3.056—**Retreading Tires**
- 12 CSR 10-3.106—**Vending Machines on Premises of Owner**
- 12 CSR 10-3.108—**Vending Machines on Premises Other than Owner**
- 12 CSR 10-3.316—**Replacement Machinery and Equipment**
- 12 CSR 10-3.318—**Ceramic Greenware Molds**
- 12 CSR 10-3.320—**New or Expanded Plant**
- 12 CSR 10-3.324—**Rock Quarries**
- 12 CSR 10-3.326—**Direct Use**
- 12 CSR 10-3.327—**Exempt Machinery**
- 12 CSR 10-3.848—**Concrete Mixing Trucks**
- 12 CSR 10-4.295—**Rulings**

The above listed Sales/Use Tax Rules have been rescinded, and they are being replaced with new rules. All of the above rules have had the Final Orders of Rulemaking filed with the Secretary of State Administrative Rules Division, and appeared in the 12/1/99 *Missouri Register*.

12 CSR 10-43.020—Investment Instruments for Nonstate Funds. This amendment adds Federal Farm Credit System Securities as an allowable investment instrument.

The Final Order of Rulemaking has been filed with the Secretary of State Administrative Rules Division and will appear in the 1/03/2000 *Missouri Register*.

12 CSR 10-43.030—Collateral Requirements for Nonstate Funds. This amendment adds Planned Amortization Class (PAC) Collateralized Mortgage Obligations (CMO) as allowable collateral securities.

The Final Order of Rulemaking has been filed with the Secretary of State Administrative Rules Division and will appear in the 1/03/2000 *Missouri Register*.

12 CSR 10-111.010—Manufacturing Machinery and Equipment. This rule explains what elements must be met in order to qualify for machinery and equipment exemptions. Sections 144.030.2(4) and (5), RSMo, exempt from taxation certain machinery, equipment, parts, materials and supplies.

The Final Order of Rulemaking has been filed with the Secretary of State Administrative Rules Division and will appear in the 1/03/2000 *Missouri Register*.

12 CSR 10-110.013—Drugs and Medical Equipment. This rule explains the sales tax law as it applies to drugs and medical equipment exemptions. Section 144.030.2(18), RSMo, provides an exemption for prescription drugs, orthopedic and prosthetic devices, numerous dental items, hearing aids, hearing aid supplies and certain sales of over-the-counter drugs.

The Final Order of Rulemaking has been filed with the Joint Committee on Administrative Rules and is currently in waiting period.

12 CSR 10-110.016—Refunds and Credits. This rule explains requirements for obtaining a refund or credit on overpayment of sales and use taxes. Section 144.190, RSMo, permits a taxpayer to file a claim for refund of an overpayment of sales or use taxes resulting from a mistake of fact or law. Section 144.100, RSMo, requires a taxpayer to file an amended return to correct an error or omission on a return. Section 144.746, RSMo, allows the taxpayer and the department to extend by agreement the time to file a claim for refund. Section

continued on page 16

144.030.2(23), RSMo, establishes special refund procedures for purchasers of domestic utilities under a non-domestic utility rate classification.

Proposed Rule—Appeared in the 11/1/99, *Missouri Register*. Comment period concluded on 12/1/99.

12 CSR 10-2.240—Determination of Timeliness. This amendment permits the use of a private delivery service and indicates what con-

stitutes timely mailing by such service.

Proposed Amendment—Appeared in the 11/1/99, *Missouri Register*. Comment period concluded on 12/1/99.

If you would like to receive a copy of any of the rules listed above, please contact the Secretary of State, Administrative Rules Division, P.O. Box 778, Jefferson City, MO 65102.

Letter Rulings

by General Counsel's Office, (573) 751-2633

The following is a list of the letter rulings issued during the period of August 4, 1999 to October 19, 1999.

LETTER #	DESCRIPTION
CL1735	Manufacturing/Agriculture — Integrated Plant
CL1736	Manufacturing — Sales of Equipment and Steel Products
CL1742	Manufacturing — Cutting Tools
CL1787	Telephone Services — Voice Mail Message Service
CL1808	Manufacturing — Concrete Truck, Mixing Plant, Parts
CL1809	Manufacturing — Photo Finishing and Copying Machines
CL1810	Place of Amusement — Membership Dues, Fitness Center
CL1817	Manufacturing — Mining Equipment
CL1822	Common Carrier — Railroad Equipment
CL1830	Medical — Accucheck Voicemate System
CL1837	Liquidations — Purchase of a Business/Assets
CL1847	Contractors — Project Exemption Certificates
CL1853	Contractors — Dual Operator, Incidence of Tax
CL1854	Situs of Sale for Application of Sales or Use Tax
CL1879	Material Recovery, Processing Plants — Parts and Equipment
CL1880	True Object Test — Artwork, Designs
CL1898	Manufacturing — Replacement Parts, Printing Press
CL1900	Sales for Resale — Sale/Purchase of Car Labels
CL1911	Place of Amusement — Country Club Membership Dues
CL1912	Sale/Leaseback — Procedures & Applicability of Sales Tax
CL1921	Qualified State Tuition Program
CL1926	Property Tax Credit — Definition of Income and Rent
CL1942	True Object Test — Sales of Testing Materials
CL1963	Sale of Legal Information By Internet Service
CL1980	Electing Small Business Trust — S Corporations
CL1982	Sales of Food Service on Behalf of Exempt Entities
CL1993	True Object Test — Sale/Purchase of Shop Drawings
CL2006	Manufacturing — Metal Products, Molds, Parts
CL2007	Sales of Food Service on Behalf of Exempt Entities
CL2043	Engineering Firm Exemption



Copies of the sanitized version of these letter rulings are available at a cost of \$1.10 plus sales tax of 6.225% each by writing to the Department of Revenue, General Counsel's Office, P.O. Box 475, Jefferson City, MO 65105-0475. Copies may also be obtained from the department's Internet web page <http://dor.state.mo.us>.



MISSOURI DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
MISSOURI TAX FORM AND PUBLICATION ORDER

FORM
MO-33
(REV. 9-99)

DLN

The Missouri Department of Revenue's Form MO-33 is designed to assist you in ordering Missouri state tax forms.

Any combination of ten (10) forms, with the exception of listed tax publications, may be ordered without charge. To offset shipping, handling and printing costs, orders exceeding a total of ten (10) forms must be accompanied by payment of \$10.00 per hundred forms (or fraction thereof) requested. Please use the price chart at the bottom of this page when figuring the amount due. Tax publications, which are sold at a set cost per unit, may also be ordered on the bottom of this page.

Orders will be filled and shipped in the order received, as soon as all requested forms and publications are available for distribution. Partial shipments, with the exception of the Missouri Package Mo-X, will not be made. Orders may be submitted at any time. We do, however, ask that you order your entire anticipated annual supply at one time. In order for our office to provide you with your forms and publications in a timely manner, please place your order prior to December 1, 1999. Forms will be shipped approximately January 1, 2000. If you place an order for 1999 tax forms, a 2000 order form will automatically be sent to you in September, 2000.

NOTE: ANY ORDER RECEIVED WITHOUT CORRECT PAYMENT, INCLUDING SALES TAX, WILL BE RETURNED TO YOU UNPROCESSED.

ELECTRONIC FORMS AND PUBLICATIONS

Forms by Fax: To access our "Forms-by-Fax" system call (573) 751-4800 from your fax machine handset. The "Forms-by-Fax" system will take you through the steps necessary to fax you a copy of the forms you need, if available. Only current year forms are maintained on the "Forms-by-Fax" system.

Internet/World Wide Web: The Missouri Department of Revenue has established a presence on the Internet with its Home Page on the World Wide Web. Individuals with access to the Internet can obtain informational materials and Missouri tax forms via our Home Page. The address for our Home Page is: <http://dor.state.mo.us>

ADDRESS INFORMATION (PLEASE PRINT OR TYPE)

COMPANY NAME

ATTENTION (IF NEEDED)

PHONE NUMBER

STREET ADDRESS (STREET ADDRESS IS REQUIRED)

POST OFFICE BOX

CITY

STATE

ZIP CODE

COMPLETE THE REVERSE SIDE OF THIS FORM FIRST. THEN PROCEED BELOW.

TAX PUBLICATIONS (Note: Items F, H, J, L and O include the updates if complete law book is ordered.)

	PUBLICATION NAME	COST PER PUBLICATION	REVISION DATE	NUMBER REQUESTED	AMOUNT DUE
A	1999 Missouri tax forms and instructions on CD-ROM (includes tax law books, major IRS tax forms and major income tax forms from participating states that border Missouri) <input type="checkbox"/> Windows	\$ 12.00	1999		
B	1999 Missouri tax forms and instructions on diskette <input type="checkbox"/> Windows 95 <input type="checkbox"/> Windows 3.X	\$ 12.00	1999		
C	Package Mo-X — Contains 1999 Missouri tax forms (DOR-2056)	\$ 8.50	1999		
D	<i>Tax Bulletin</i> Subscription — Published 3 times yearly	\$ 6.00	2000		
E	Package Mo-X/DOR <i>Tax Bulletin</i> subscription (Combination of C and D above)	\$ 14.00	1999		
F	Income Tax Law Book (DOR-1909)	\$ 7.00	1998		
G	Income Tax Law Book Update (DOR-1909U)	\$ 2.00	1999		
H	Sales/Use Tax Law Book (DOR-1780)	\$ 7.00	1998		
I	Sales/Use Tax Law Book Update (DOR-1780U)	\$ 2.00	1999		
J	Financial Institution Tax Law Book (DOR-2850)	\$ 7.00	1998		
K	Financial Institution Tax Law Book Update (DOR-2850U)	\$ 2.00	1999		
L	Motor Fuel Tax Law Book (DOR-2269)	\$ 7.00	1998		
M	Motor Fuel Tax Law Book Update (DOR-2269U)	\$ 2.00	1999		
N	Cigarette & Tobacco Products Tax Laws & Rules Book (DOR-1899)	\$ 7.00	1998		
O	Estate Tax Law Book (DOR-2338)	\$ 7.00	1998		
P	Estate Tax Law Book Update (DOR-2338U)	\$ 2.00	1999		
Q	Form 2643 — Missouri Tax Registration Application (complete booklet) (1-3 Free)	\$ 3.50	1999		
TOTAL NUMBER OF PUBLICATIONS ORDERED AND TOTAL COST OF PUBLICATIONS					

PRICE CALCULATIONS

- Total number of forms ordered (from back of form)
- Cost of forms ordered (see price chart on the right)
- Cost of publications ordered (from above)
- Subtotal (add Lines 2 and 3)
- Tax (multiply Line 4 by 6.225%)
- TOTAL DUE** (add Lines 4 and 5)

PRICE CHART

No. of Forms	Cost
0-10	Free
11-100	\$ 10.00
101-200	\$ 20.00
201-300	\$ 30.00
301-400	\$ 40.00
Each Additional 100	\$ 10.00

After completion, send this form with a check or money order made payable to "Director of Revenue" to: **MISSOURI DEPARTMENT OF REVENUE, P.O. BOX 3022, JEFFERSON CITY, MO 65105-3022.**

INDIVIDUAL INCOME TAX FORMS				CORPORATION INCOME TAX FORMS			
	NUMBER REQUESTED	FORM NUMBER	FORM DESCRIPTION		NUMBER REQUESTED	FORM NUMBER	FORM DESCRIPTION
A		MO-1040/MO-A	Individual Income Tax Return and Adjustments	A		MO-1120	Corporation Income Tax Return
B		MO-1040A	Single/Married With One Income—Individual Income Tax Return—Short Form	B		MO-1120X	Amended Corporation Income Tax Return
C		MO-1040B	Married Filing Combined—Individual Income Tax Return—Short Form	C		MO-2220	Corporation Underpayment of Estimated Tax
D		MO-1040C	Part-Year Residents/Nonresidents/Active Duty Military/Residents With Other State Income—Individual Income Tax Return—Short Form	D		MO-1120ES	Declaration of Estimated Tax for Corporations
E		MO-60	Application for Extension of Time To File	E		MO-MS	Corporation Allocation and Apportionment of Income
F		MO-CR	Credit for Income Taxes Paid to Other States	F		DOR-8821	Authorization for Release of Confidential Information
G		MO-NRI	Missouri Income Percentage	G		DOR-472A	Application for Tax Credit/Refund
H		MO-CRP	Certification of Rent Paid	H		MO-C	Missouri Dividends Deductions
I		MO-PTC	Property Tax Credit Claim	I		MO-1120S	S Corporation Income Tax Return
J		MO-1041	Fiduciary Income Tax Return	J		MO-NRS	S Corporation Nonresident Form
K		MO-NRF	Nonresident Fiduciary Form	K		MO-MSS	S Corporation Allocation and Apportionment Form
L		MO-1065	Partnership Return of Income	L		MO-TC	Miscellaneous Income Tax Credits
M		MO-NRP	Nonresident Partnership Form	M		DOR-2827	Power of Attorney
N		MO-2210	Underpayment of Estimated Tax By Individuals				TOTAL CORPORATION INCOME TAX FORMS ORDERED
O		MO-1040ES	Estimated Tax Declaration for Individuals	EMPLOYER'S WITHHOLDING TAX FORMS			
P		DOR-1937	Request for Photocopy of Missouri Income Tax Return		NUMBER REQUESTED	FORM NUMBER	FORM DESCRIPTION
Q		DOR-558	Military Information	A		MO-941	Employer's Report of Income Taxes Withheld
R		MO-8453	Individual Income Tax Declaration for Electronic Filing	B		MO-941X	Withholding Tax Overpayment Amended Report
		TOTAL INDIVIDUAL INCOME TAX FORMS ORDERED		C		MO-941U	Withholding Tax Underpayment Amended Report
SALES/USE TAX FORMS				D		MO-941P	Quarter-Monthly Payment of Income Taxes Withheld
	NUMBER REQUESTED	FORM NUMBER	FORM DESCRIPTION	E		MO-941F	Employer's Withholding Final Report
A		DOR-53-1	Sales Tax Return	F		MO-W3	Transmittal of Wage and Tax Statements
B		DOR-53U-1	Use Tax Return	G		MO-W4	Employee's Withholding Allowance Certificate
C		DOR-472	Request for Sales/Use Tax Cash Bond Refund	H		MO-96	Annual Summary and Transmittal of Form MO-99
D		DOR-472-B	Application for Tax Refund/Credit	I		MO-99 MISC	Information Return for Recipients of Miscellaneous Income
E		DOR-1746	Missouri Sales/Use Tax Exemption Application	J		MO-1ENT	Income Tax Payments for Nonresident Entertainers
F		DOR-149	Sales/Use Tax Exemption Certificate	K		MO-2ENT	Statement of Income Tax Payments for Nonresident Entertainers
		TOTAL SALES/USE TAX FORMS ORDERED				TOTAL EMPLOYERS WITHHOLDING TAX FORMS ORDERED	
				MISCELLANEOUS TAX FORMS			
				A		DOR-2643A	Missouri Tax Registration Application (Application Only)
				B		DOR-126	Registration Change Request
						TOTAL MISCELLANEOUS TAX FORMS ORDERED	

Questions concerning the completion of this form, or form and publication orders in general, may be addressed by calling (573) 751-5337, Monday through Friday, 7:45 a.m. to 4:45 p.m. Orders for a total of ten (10) or less forms may also be made by calling (800) 877-6881. These publications are available upon request in alternative accessible formats, TDD use (800) 735-2966 or fax (573) 526-1881.

Filing Frequency Changes

by Diane Luebbering, (573) 751-4981

The Department continues its efforts to simplify procedures in many areas and reduce the complexity for taxpayers.

SALES TAX

Effective January 1, 2000, the filing threshold for monthly sales and use tax returns will be increased from \$250 to \$500 for state tax collected. If your taxable sales are over \$12,500 per month, you will be required to continue filing monthly. However, if your taxable sales are from \$375 to \$12,500 per month, you will be changed to quarterly filing.

This change will allow small monthly filers the option of filing and paying their sales and use tax on a quarterly basis, reducing taxpayer complexity and the cost of compliance.

There will be no change to

the larger monthly sales and use tax filers; they will continue to pay monthly.

Letters will be mailed in December to all affected accounts advising them of their new filing frequency expectations.

Please contact the Department of Revenue, Division of Taxation and Collection, P. O. Box 840, Jefferson City, MO 65105-0840, phone (573) 751-2836; fax (573) 751-7273; or e-mail salesuse@mail.dor.state.mo.us if you have any questions concerning this information.

WITHHOLDING

Effective January 1, 2000, the threshold for filing monthly withholding tax returns will be increased from \$250 to \$500. This means that employers who are currently monthly filers and with-

hold between \$250 and \$499 for at least two (2) months in the preceding 12 months will become quarterly filers. An employer that withholds at least \$500 for at least two (2) months during the preceding 12 months will be a monthly filer.

Any account whose filing frequency will change for tax year 2000 received a filing frequency change letter in November 1999.

Reminder: All employers must file on or before February 29, 2000, a Form MO W-3, along with copies of all 1999 Form W-2(s) for all employees.

Please contact the Department of Revenue at the following e-mail address: income@mail.dor.state.mo.us if you have any questions regarding the above information.

MODOR BBS Will Be Shut Down December 31, 1999

The Division of Taxation and Collection has announced that the MODOR Bulletin Board System (BBS) will be shut down on December 31, 1999. MODOR BBS was put into operation in 1995; however, technology has advanced to the point where bulletin board services are no longer an efficient means of providing information.

To better serve the taxpayers of Missouri, all of the information that was available on the BBS System can be obtained from the Department of Revenue's Internet Site at <http://dor.state.mo.us> or the Forms-by-Fax System at (573) 751-4800.

Please send to taxforms@mail.dor.state.mo.us any questions or comments.

Up and Coming: 2D Bar Coding

The department will be implementing a pilot program this tax season with practitioners to allow 2D Bar Code scanning of tax information on income tax returns. Please check the department's web site at: <http://dor.state.mo.us> for updates on this pilot program.

Tax Calendar

Due Dates for January – April 2000

January

- 3 Motor Fuel Reports
- 4 Motor Fuel Suppliers Reports
- 5 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 12 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 18 Declaration of Estimated Tax for
Individuals
Declaration of Estimated Tax for
Corporations
Cigarette Tax Credit Account & Return
Other Tobacco Products Monthly
Reports
- 20 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
Cigarette Tax Cash Accounts Return
- 26 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 31 Monthly Sales/Use Tax Returns
Quarterly Sales/Use Tax Returns
Annual Sales/Use Tax Returns
Quarterly Withholding Returns
Monthly Withholding Returns
Annual Withholding Returns
Motor Fuel Distributor Reports
Tire Fee Due
Quarterly Insurance Tax Payments Due

February

- 2 Motor Fuel Suppliers Reports
- 3 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 10 Quarter-Monthly Sales Tax

- Quarter-Monthly Withholding Payment
- 15 Monthly Withholding Returns
Cigarette Tax Credit Account & Return
Other Tobacco Products Monthly
Reports
Other Tobacco Products Annual License
- 18 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 22 Monthly Sales/Use Tax Returns
Cigarette Tax Cash Accounts Return
- 25 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 29 Motor Fuel Distributor Reports

March

- 1 MO-1040 for Farmers to Achieve
Underpayment Status
Quarterly Insurance Tax Payment
- 2 Motor Fuel Suppliers Reports
- 3 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 10 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 15 Monthly Withholding Return
Cigarette Tax Credit Account & Return
Other Tobacco Products Monthly
Report
Calendar Year Cooperatives with an
Automatic Extension to file 1999
Form MO-1120
- 20 Monthly Sales/Use Tax Return
Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
Cigarette Tax Cash Accounts Return

- 27 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 31 Motor Fuel Distributor Reports

April

- 4 Motor Fuel Suppliers Reports
- 5 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 12 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 17 Estimated Tax Declarations
for Individuals
Estimated Tax Declarations for Calendar
Year Corporations
Form MO-1120 for Calendar Year
Foreign Corporations
Forms MO-1040, MO-1040A,
MO-1040B, MO-1040C, MO-PTC,
MO-1041, MO-1065, MO-1120
and MO-1120S
Form MO-60 – Extension Request
Cigarette Tax Credit Account & Return
Financial Institutions Tax Return
Other Tobacco Products Monthly
Report
Annual Consumer's Use Tax Return
Franchise Tax Returns
- 19 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding
Payment
- 20 Cigarette Tax Cash Accounts Return
- 26 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding
Payment

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